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**Subject:**
**Date:** November 4, 2016 at 1:26 PM
**To:**

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Dear Mr. Doe:

Since our meeting I have given some thought to the subject of developing strategic alliances and optimizing the resources of the Hearst Group. But first I would like to elaborate on my reasoning behind Paramount's decision to acquire Macmillan.

As I mentioned, often top management "stir the pot" in an effort, not simply to look busy, but to hide non-stellar performance. This can be achieved through an acquisition where trend lines are broken and historical analysis is no longer accurate. A year or so after such a merger comparative analysis becomes very difficult. In this particular case, the difficulty of comparative analysis is intensified because a number of different entities will be folded into one another. Where there is a lot of synergy, factors contributing to performance become amorphous.

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Putting the cynicism aside (I would prefer to categorize it rather as healthy skepticism), there are in fact very good potential synergies resulting from this acquisition. First, Paramount Film's can expand its efforts to transfer their creative film-making expertise to the book and video publishing, i.e. combining feature films with on-the-job training videos. Second, as was reported in the Wall Street Journal, "Macmillan's highly profitable college textbook division, ranked seventh in size in the U.S., would be folded into Paramount's, the country's largest." My understanding is that Paramount will be getting a significantly better warehouse/fulfillment facility than they have right now. In text book, particularly college text book, it is important to have an organization that can do rapid sampling to professors who may put the book to use in their programs and classes. Another comment in the WSJ was that "Paramount...could afford to fire the most people.....They'll go through this place like General Sherman through Atlanta." Paramount will be able to use the exact same marketing forces that they have right now. On almost all sides - from book acquisition and editorial through selling and operations - there is complete overlap.

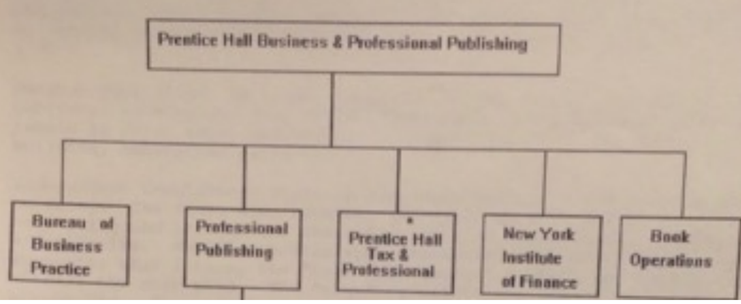
I believe that what we are witnessing in the current merger frenzy is the result of competition heating up for what has been termed "the last mile of the superhighway" - the connection into the living rooms. In addition, publishers, worried about missing the multimedia bandwagon, are scrambling for ways to capitalize on their vast holdings by repackaging materials for the electronic age. The move is on to merge entertainment with education - "edutainment." One might even make the argument that there is a general trend from advertising to subscription driven publishing. Fiber optics would facilitate such a move.

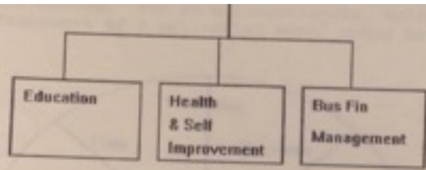
With all this merger frenzy of multi-media (I am not suggesting that it is all hype), one could possibly lose sight of neglected markets.

I am fairly familiar with the Prentice Hall division of Simon & Schuster, a Paramount Company. As I mentioned, Prentice Hall, or more specifically, Bureau of Business Practice (BBP) was interested in acquiring IMS, a marketing/publishing group specializing in the Property & Casualty insurance industry, which I headed up from 1984 through 1989. Newsletters, producing more than ten million subscriptions annually, were

among a broad product range. In 1992 when my non-compete ended with IMS I became a consultant to BBP. (Enclosed are BBP's capabilities brochure.)

Below is a chart laying out the various entities falling under the Prentice Hall and Professional Publishing umbrella.






- The Prentice Hall Tax & Professional division was put up for sale several months ago.

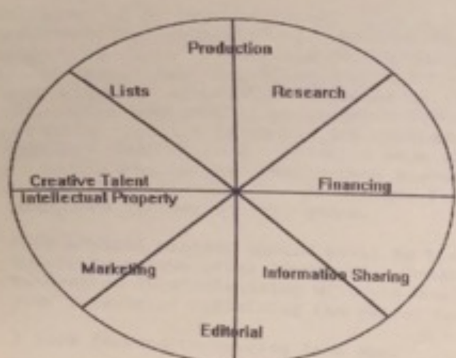
At first glance I thought that an opportunity to acquire BBP might be in the offing. A closer look reveals BBP has been severely neglected by Paramount and is in disarray (BBP has been without top management for several months). A strategic plan is being prepared to downsize this group. It is unlikely to be well received by the board. Even a likely sale price of "book value" may not be palatable, despite our ability to put together a seasoned management team.

In the course of this very preliminary review of BBP it appears that the area with the most opportunity falls under a not-so-well defined area of publishing....newsletter...continuation...subscription...merchandising publishing segment. Another term banded about is the "non-magazine subscription information flow business". Essentially it is that segment where the target audience is ready to pay for regular doses of information on a subscription basis, all in print format. This market appears to be extremely fragmented, mostly operated by independent entrepreneurial types who have developed expertise in niche markets. The exception to the rule are groups like Kolberg Kravis' publishing arm, K3, which has two subsidiaries, Newfield and Newbridge Communications. There are divisions of other larger publishing companies that provide newsletters, i.e. BBP within the world of Paramount, McGraw Hill etc.

Opportunities exist for modern technology-based organizations to bring efficiencies to this "newsletter" world. Larger companies, like Paramount's BBP, tend to sit back on their laurels and "milk the cash cow." In time, inefficiencies creep in, resulting in further investment cutbacks and the downward spiral continues. BBP, like Economics Press and Dartnel, are very labor intensive. They have hardly changed their operations or technical platforms since they were built in the 50's, 60's & 70's.

Desktop publishing, although clearly a threat, forces the "newsletter" publisher to stay one step ahead of the game. However, efficiencies remain in print runs, information sharing, editorial, marketing, list building, subscriber patterns, etc.

Independent newsletters start up regularly because there are few barriers to entry. The facts are, however, that they do not benefit from true networking and information sharing as well as from overall operation efficiencies. As these mostly entrepreneurial businesses grow they encounter what I term, the "tall tree factor" - where the tallest trees attract the most wind. The "high" is negated by the sinking sensation of acrophobia. For an entrepreneurial spirit, operating within the framework of a well-oiled wheel would be very tempting.




A group, like the Hearst organization, would seem to have the critical mass/negotiating leverage to customize the wheel for any specific application/audience.

I have not yet seen an overview of this "newsletter" market but it is presently dominated by the financial services and health care industry. Most of the players in these categories are very small.

It would appear that there is an opportunity to consolidate the fragmented players as well as to become instrumental in expanding the overall market.

... consumer markets, financial ..., business, training etc. Those who are succeeding are either compliance related or in the dynamic-trend-information distribution which are very specific to specific financial markets, health topics, an industry or job function, i.e. payroll managers. The distinction is being drawn between "Need To Know" and "Nice To Have" publications. The information being processed needs to be very specific, very dynamic and avante garde.

Once one has control of the intellectual property and a core support organization, opportunities exist for both vertical and horizontal integration including expansion into the electronic medium. An example of this is the move by IAC, a division of Ziff Communications, which plans to launch within twelve months, health-care interactive programming which would operate on ZiffNet, Ziff's own network.

It is my sense that in order to effectively determine the basis of pursuing any strategic alliance requires a familiarity of the Hearst Group's core resources and strategic plan. I would welcome the opportunity to sit down with you again and explore these matters in more detail.

In terms of my current commitments, I have recently been asked to spearhead the formation of a medical entity whose objective is the combining of two remarkable technologies into a simple, non-intrusive blood-sugar-level-detection-device for diabetics. There are currently approximately 30 million diabetics in this country and the number is increasing exponentially. Present detection methodology (finger pricking) is both unhygenic and unpleasant, resulting in less than adequate medical care. Creation of a new approach appears to be well suited to the current health-care economic climate. It is a subject matter which I would like to discuss further with you once I have conducted further due diligence.

This medical project should avail me the time, at least in the immediate future to pursue other interests. Consequently, I would be most interested in strategising with you how I might be of value to you in your pursuit of optimizing the Hearst Group's resources.

I look forward to hearing from you.

Yours sincerely,

Gary S. Gevisser

p.s. I have included the business plan of a fish farming enterprise that I understand Mr. Hearst may be interested in reviewing.